

CITY OF GILMORE CITY

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE PERIOD
JULY 1, 2020 THROUGH JUNE 30, 2021**

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City of Gilmore City

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Landon Bailey	Mayor	December 2023
Brittany Dickey	Council Member	December 2023
Paul Kipfer	Council Member	December 2023
Denny Frederiksen	Council Member	December 2023
Lavonne Hoover	Council Member	December 2025
Thomas Cavanaugh	Council Member	December 2025
Melissa Ubben	City Clerk	Indefinite

City of Gilmore City



T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

To the Honorable Mayor and Members of the City Council:

We performed the procedures below, which were established at Iowa Code Chapter 11.6, to provide oversight of Iowa cities. Accordingly, we have applied certain procedures to selected accounting records and related information of the City of Gilmore City for the period July 1, 2020 through June 30, 2021, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Gilmore City's management, which agreed to the performance of the procedures performed, is responsible for compliance with these requirements and for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The City of Gilmore City's management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose to report, in accordance with Chapter 11.6 of the Code of Iowa, recommendations pertaining to selected accounting records and related information of the City including the City's compliance with certain Code of Iowa requirements. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures we performed are summarized as follows:

1. We observed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We obtained an understanding of the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We observed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and observed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We scanned City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We observed the City's fiscal year 2021 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. We scanned investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We scanned depository resolutions, the City's investment policy and reporting of unclaimed property to the State of Iowa to determine compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa.

9. We scanned debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. We scanned selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
11. We observed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
12. We traced selected receipts to accurate accounting and consistency with the recommended COA.
13. The City has no voter approved levies.
14. We traced selected disbursements to proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
15. We traced transfers between funds to proper authorization and accurate accounting and to determine whether transfers were proper.
16. We traced selected payroll and related transactions to proper authorization and accurate accounting and determined whether proper.
17. We observed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various findings and recommendations for the City. Our findings and recommendations are described in the Detailed Findings and Recommendations section of this report. Unless reported in the Detailed Findings and Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

We were engaged by the City of Gilmore City's management to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on specific accounting records and related information of the City, including compliance with specific Code of Iowa requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the City of Gilmore City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

The purpose of this report is to report, in accordance with Chapter 11.6 of the Code of Iowa, certain agreed-upon procedures and the resulting findings and recommendations pertaining to selected accounting records and related information of the City, including the City's compliance with certain Code of Iowa requirements. This report is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Gilmore City during the course of our agreed-upon procedures engagement. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

TP Anderson & Company, PC

January 11, 2022
Humboldt, Iowa

Detailed Recommendations

City of Gilmore City

Detailed Recommendations

For the period July 1, 2020 through June 30, 2021

- (A) Segregation of Duties – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody, and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements. Generally, one individual has control over each of the following areas for the City:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – opening mail, collecting, depositing, recording, reconciling and posting.
- (3) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll – recordkeeping, preparing and distributing.
- (5) Utilities – billing, collecting, depositing and posting.
- (6) Financial reporting – preparing and reconciling.
- (7) Journal entries – preparing and recording.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations and journal entries should be documented by the signature or initials of the reviewer and the date of the review. Additionally, council members should review bank statements and payroll records regularly.

- (B) Bank Reconciliations – The City does not complete an adequate bank reconciliation. The cash balances in the City's general ledger were not reconciled to bank account balances throughout the year, resulting in variances between the general ledger and bank accounts.

Recommendation – The City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly and variances, if any, are reviewed and resolved timely. An independent person should review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations.

- (C) Separately Maintained Records – Chapter 384.20 of the Code of Iowa states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose, by any city officer, employee, or other person, and which show the receipt, use, and disposition of all city property."

The Library maintains separate accounting records for certain operations. These transactions and resulting balances were not included in the City's accounting records and were not included in the City's annual budget, monthly financial reports or Annual Financial Reports.

City of Gilmore City

Detailed Recommendations

For the period July 1, 2020 through June 30, 2021

Recommendation – In accordance with Chapter 384.20 of the Code of Iowa, and to strengthen internal control and increase operating efficiencies, the financial transactions of the Library department separate account should be integrated with the City's accounting records in the City Clerk's office. The financial activity should be included in the City Clerk's accounting records, monthly financial reports and the Annual Financial Reports. The activity in these accounts should be subject to City Council review and approval and should be included in the City's budget process. Also, a summary of each account's receipts, total disbursements and listings of claims allowed each month should be published, as required.

- (D) Certified Budget – Disbursements during the year ended June 30, 2021 exceeded the amounts budgeted in the public works, general government, and business-type activities functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

- (E) Gas Utility Rates – The rates used to bill the gas utility services were not supported by an established ordinance or were not supported by any other documentation.

Recommendation – The City should implement an ordinance to legally set the gas rates and consult legal counsel for clarification on how the fees should be assessed.

- (F) City Council Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published within fifteen days of the meeting. Minutes for one meeting tested were not published within fifteen days.

Recommendation – The City should comply with the Code of Iowa and publish City Council meeting minutes within fifteen days, as required.

- (G) Journal Entries – Supporting documentation was not maintained for journal entries. Additionally, journal entries were not always reviewed and approved by an independent person.

Recommendation – Supporting documentation should be maintained which substantiates all journal entries. An independent person should review and approve journal entries and the approval should be documented by the signature or initials of the approver and the date of approval.

- (H) Management Financial Information – Although the City Clerk has begun to provide additional reports to the City Council, the reports the Council receives do not reconcile the bank balance to the general ledger, nor does it include timely and accurate information.

City of Gilmore City

Detailed Recommendations

For the period July 1, 2020 through June 30, 2021

Recommendation – For better accountability, financial and budgetary control, the monthly reports to the City Council should include a summary of beginning fund balances, receipts, disbursements, transfers, and ending fund balances. These reports should also reconcile the bank balance to the general ledger. This report should also be prepared in a timely manner to accurately reflect the financial information at that time.

- (I) Financial Condition – At June 30, 2021, the City reported a deficit balance of \$106,048 in the Water Fund.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return the fund to a sound financial position.

- (J) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled completely and accurately throughout the year. For the month selected for testing, the reconciliation was unreconciled by \$688.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period on a timely basis and reconciled completely and accurately. The City Council or other independent person designated by the City Council should review the reconciliations and monitor delinquent accounts. The review of the reconciliation should be evidenced by the signature or initials of the reviewer and the date of the review.

- (K) Tax Increment Financing – Chapter 403.19(6)(b) of the Code of Iowa requires the City to certify the amount of reductions resulting from the reduction of debt or any other reason to the County Auditor. During the current year, the certification was not filed by the December 1st deadline.

Recommendation – The City should complete the certification by the required deadline.

- (L) Unclaimed Property – Chapter 556.11 of the Code of Iowa requires all cities to report and remit outstanding obligations, including checks, trusts and bonds held for more than two years, to the Office of Treasurer of State annually. The City did not remit all outstanding obligations held for more than two years to the Office of Treasurer of State annually.

Recommendation – Outstanding obligations should be reviewed annually and amounts over two years old should be remitted to the Office of Treasurer of State annually, as required.

- (M) Revenue Bonds and Notes – The City did not establish separate sinking, reserve, and short-lived asset reserve funds as required by the water bond resolution.

Recommendation – The City should establish sinking, reserve, and short-lived asset reserve funds as required by the bond resolution, as well as review the bond amortization schedules and make sufficient deposits into these funds. The City should review utility rates to ensure the rates are adequate to produce the required net operating revenues.

City of Gilmore City

Detailed Recommendations

For the period July 1, 2020 through June 30, 2021

- (N) Payroll – The council did not formally approve pay raises an employee received upon earning certifications.

Recommendation – The City should approve a resolution for any pay raise recommendations.

- (O) Fund Transfers – In accordance with Chapter 545-2.1 of the Administrative Code of Iowa, a fund transfer resolution must be completed for all transfers between funds and must include a clear statement of reason or purpose for the transfer, the name of the fund from which the transfer is originating, the name of the fund into which the transfer is to be received, and the dollar amount to be transferred. If transfers are made from a proprietary fund into a governmental fund, a surplus calculation must be documented and approved. During the year ended June 30, 2021, the City did complete resolutions for fund transfers, however, surplus calculations were not documented on the resolution for transfers out of proprietary funds.

Recommendation – The City should comply with the Administrative Code of Iowa and complete and document a surplus calculation for any transfer out of a proprietary fund.